

F I L E *Expense Budget*
22 January 1964

MEMORANDUM FOR THE RECORD

SUBJECT : Financial Policy and Budget Committee Meeting,
21 January 1964

25X1 1. Messrs. Lloyd [] attended from the Deputy Director for Support. Regular members from the other components also attended. The meeting was chaired by Mr. Kirkpatrick.

2. Mr. Kirkpatrick covered the following points:

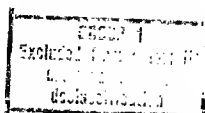
* a. With respect to Action Memorandum No. A-319 Mr. Kirkpatrick is to meet every 90 days with the Deputy Directors for the purpose of discussing progress on economy measures and briefing General Carter. Mr. Kirkpatrick indicated that he expected to hold the first meeting on 1 March. (We need to devise a system for keeping tab on all economy measures within each of the Support offices.)

* b. The President's economy directive of 24 December requires quarterly reports beginning 1 April 1964. (Here again we need to systematize for this action.)

c. Mr. Kirkpatrick plans to recommend to Mr. McCone that he put pressure on Senator Russell to get our early retirement legislation approved. This will help us make room for JOT's. Mr. Kirkpatrick mentioned his recent decision concerning retention of the present JOT Program.

* d. As examples of economy actions, Mr. Kirkpatrick cited recent notices on guard schedules and couriers. He also mentioned the need for reduced subscriptions to publications such as the New York Times and the U.S. News and World Report. (I have asked OCR to come up with a report for our use in looking this situation over in the Support area.)

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* e. Overtime was a subject of special admonition. Expenditures in the Agency have climbed from \$3 million annually in Fiscal Year 1962 to an average rate for Fiscal Year 1964 approximating \$5 million. Mr. Kirkpatrick stated that the Agency must reduce its overtime by 25% and that the Director of Central Intelligence wants a monthly report on this. He expressed the hope that we would never have to resort to such bureaucratic practices as docking employees for being late, etc., but at the same time he noted the production loss caused by lingering cafeteria breakfasts and overly long lunches. John Clarke has submitted and Mr. Kirkpatrick has approved a memorandum on this subject which calls for changes in Agency Regulations and other actions by the Deputy Director for Support. I am attaching a copy of this memorandum for information and I plan to get together with John Clarke for its implementation.

f. Our telephone economy notice was the object of praise and, at the same time, Mr. Kirkpatrick mentioned the CIA telephone in his residence which costs the Agency \$49 per month. He has asked that this be removed because a conventional additional line is much cheaper. (I have asked the Logistics Services Division to identify the officials involved who now have ~~six~~ of these phones in their residences along with the leased line charges for each.)

g. The Director of Central Intelligence wants the Deputy Director for Plans to conduct a station-by-station review of overseas strength.

* h. The Executive Director-Comptroller contemplates around-the-calendar reviews of each CIA office and he specifically mentioned OSA, the Collection Guidance Staff, NPIC [] I understand they started with [] today.

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* i. Mr. McCone has stated there will be no increase in money or manpower for Fiscal Year 1966 budgets.

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1. Members were asked to develop for their Directorates lists of assumptions to be used in the Fiscal Year 1966 budget and beyond and handouts were provided the members. The lists are due into the Executive Director-Comptroller no later than 30 January. (The list is attached herewith for information. I am attempting to get relief for the Deputy Director for Support from this requirement from the Budget Division based on the fact that the Support components need to see the assumptions of the other offices before

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they can do anything in the way of budget preparation. I hope that we will not be required to submit a list of assumptions. *John Clarke has agreed to review assumptions submitted by other Directorate before any action by DD/S.*

m. John Clarke announced that a survey of the Agency Financial Analysis and Coding System will be undertaken soon with the objective of implementing the system on 1 July 1964.



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Special Planning Assistant to the
Deputy Director for Support

2 Attachments:

- Att 1: Request for List of Assumptions
- Att 2: Correspondence on Overtime Pay

* Recommended for DD/S Staff Meeting Agenda.

*OK - you
should be prepared
to discuss*



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SPA-DD/S:JHP:fmf (22 Jan 64)

Distribution:

- Orig - DD/S Subject w/ccy of atts
- 1 - DD/S Chrono

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21 January 1964

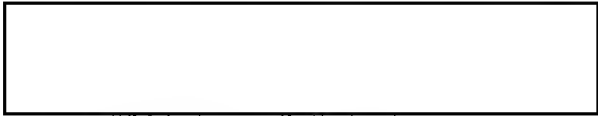
MEMORANDUM FOR MEMBERS OF FPBC

SUBJECT: Request for List of Assumptions

1. Attached are a series of random questions which suggest the kind of considerations required of each Deputy Director in establishing "assumptions" for the FY 1966 budget and beyond. The list is far from comprehensive. It is provided simply to trigger the "assumption" exercise.

2. The "assumption" exercise proposes that each member of the FPBC define and spell out for DDCI review a set of operating assumptions for FY 1966 through FY 1969 which can be reviewed in establishing policies and guidelines for translation into program and resources planning for the period covered. On approval of the assumptions, a preliminary budget call will be established against which resource applications can be made and submitted to the DCI and defended with the BOB.

3. It is requested that a listing of assumptions as developed and approved by each Deputy Director be forwarded to the Executive Director-Comptroller by close of business 30 January.


✓ Director of Budget,
Program Analysis and
Manpower

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Attachment
as stated

DD/S

1. What estimates for office space needs in FY 1966? Beyond?
2. If Commo is arrested and held at present level what will be the "mix" in FY 1966 and beyond and what further costs do we see for equipment improvements?
3. ComSec - are we going far enough with this effort? Can we go further and hold the line?
4. Any big items arising 25X1
5. Will FY 1966 be a particularly significant year insofar as replacement costs are concerned (e.g. vehicles)?
6. If personnel strength levels off at mark, how much effort needed to recruit for attrition? Can Office of Personnel and Security reduce? 25X1
7. Impact of early retirement in FY 1966?
8. Impact of automation on DD/S activities in FY 1966? Beyond?

Responses to questions as set forth above should permit specific assumptions. Examples are set forth below.

1. Activity in Western Europe will be reoriented toward increasing unilateral operations and CA activities oriented toward NATO powers with a consequent retention of personnel assigned at about the FY 1964 level.
2. Step up in FI and CA operations throughout the Far East will offset reductions anticipated for paramilitary activity in this area. (Assumes no greater clandestine confrontation of Indonesia over Malaysian issues than in FY 1965.)
3. Expanded economic research into free world areas with offsetting reductions from coverage of other areas.
4. Levelling off of R&D activity at about end FY 1965 levels. (Statement on its orientation.)
5. CA activity in Africa will be directed to those areas not now under strong French influence.
6. Continued expansion of FI and CA assets in South America will be required.
7. Reductions in Agency contributions to third party COMINT collection can be made.
8. Reductions of 20 percent in personnel and resources as well as in training requirements for Cuban operations can be undertaken.
9. Operational communication traffic will increase by 10 percent over FY 1964 levels.
10. Personnel turnover will remain at the same level as FY 1964.

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- (1) Persons in approved production positions
- (2) Persons who work seven days a week
- (3) Persons who perform overtime on work not related to their regular job.

5. Control is exercised:

- a. At division or branch level by those who have been authorized to approve claims for overtime worked.
- b. At division or office level by a review or requirement for approval by the division or office of certain classes of overtime. Some require prior approval, others have established quotas, and a few have established work standards for measuring the necessity for overtime. (No effort has been made to establish practices in all offices.)
- c. By the legal maximum that can be paid any individual in any given pay period.


6. Under present regulations, controls are not uniformly applied throughout the Agency. The extent of control rests with the supervisor. Once payment for the overtime has been authorized and approved at the operating level, no further control is exercised at any later step in the processing of the payment other than to hold payment to the legal maximum per pay period.

7. The present system does not provide, at Agency level, the checks and balances afforded by periodic reports to top management. Reports summarizing overtime data by office, by person, by hours and by amount paid are not made. Part of these data for vouchered funds only have been compiled by Budget Division, but this represents only 60% of the total overtime paid. Tighter controls should assure that quarterly reports, analyses of trends and comparison of overtime payments are made to Office and Division Chiefs, to Deputy Directors and to the Executive Director-Comptroller as appropriate.

8. As positive steps to improve controls and effect a reduction of overtime, the following actions are recommended:


- a. Eliminate overtime pay at headquarters and overseas for all Agency personnel above GS-9. This step alone would save approximately \$250,000 during the remainder of the Fiscal Year 1964 and approximately \$500,000 in Fiscal Year 1965. To accomplish this the DD/S should be directed to make the necessary changes in Agency regulations to insure that this policy is made effective immediately.

- b. A requirement be placed on the Deputy Directors to set a target for reduction of overtime by 25% and to personally establish and supervise overtime quotas for each component under their direction.
- c. This personal review by the Deputy Directors should also include a hard look at those activities of their components using large amounts of overtime with the view of reducing the necessity for overtime for those activities. A report on actions taken should be provided to the Executive Director-Comptroller by 1 April 1964.
- d. Deputy Directors be encouraged to employ a system of staggered shifts, whenever feasible, to reduce overtime requirements in their components.
- e. The DD/S be directed to have the Director of Finance prepare and submit to the Office of Budget, Program Analysis and Manpower a quarterly report of overtime payments for vouchered and confidential funds. A similar report should also be sent to each Deputy Director covering his areas of responsibility.


JOHN M. CHAMBERLAIN
Director of Budget,
Program Analysis and
Manpower

Attachment

APPROVED:


Executive Director-Comptroller

Jan. 17, 1964
Date

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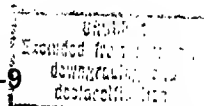
MEMORANDUM FOR THE RECORD

SUBJECT: Overtime Pay

1. The Court of Claims decision in the case of Byrnes v. United States (15 November 1962, Case No. 496-59) again focused attention on the question of overtime payments to Federal employees. According to the Court, under the Federal Employees Pay Act of 1945, as amended, Federal employees are entitled to overtime pay or compensatory time off for work in excess of forty hours a week if that time is officially ordered or approved. The Court concluded that formal specific approval for the overtime work performed is not necessary if the performance of the overtime is induced by the Government. The inducement must be more than a "tacit expectation" that the work is to be done.

2. The provisions of the Federal Employees Pay Act of 1945, as amended, apply to all Federal employees except those specifically listed in the legislation as exempted. According to Civil Service Regulation 550.101b(3), the officers of the Central Intelligence Agency are exempted from the provisions of the Civil Service regulations pertaining to overtime. According to an appropriate office of the Civil Service Commission, by implication, this regulatory exemption means that the Civil Service Commission has concluded that CIA does not come under the provisions of the Federal Employees Act of 1945, as amended. According to an opinion of the Office of General Counsel (6 Jan 55), however, the Central Intelligence Agency is subject to the overtime provisions of the Federal Employees Pay Act of 1945, as amended, apparently based on the 1945 Act's application to all Federal employees with Central Intelligence Agency employees not specifically exempted. Obviously it could be argued that officers

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and employees of this Agency are not covered by provisions of the Federal Employees Pay Act of 1945, as amended, because under the Central Intelligence Agency Act of 1949, as amended, the Director of Central Intelligence has authority to pay for personal services without regard to any other law.

3. Agency Regulation [] states that the basic work week for Agency employees is forty hours. Section (c) of that regulation states that "hours of work that are in excess of the basic work week of forty hours shall be considered overtime," which would seem to be basis enough for overtime compensation under the Federal Employees Pay Act of 1945, as amended, indicating that there is more than just a tacit expectation that the work performed during these hours is necessary.

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4. As an observation, as [] now stands, hours between forty and forty-eight are overtime but not for compensation purposes. The Byrnes decision speaks of overtime compensation as a matter of right if it is performed with more than a tacit expectation that the work be done. Under the decision, assuming the applicability of the 1945 Act, I believe there would be little question that hours between forty and forty-eight are compensable.

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As sistant General Counsel

Attachment - 6 Jan 55 Memo

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